



STAFF REPORT

DISCUSSION AND DIRECTION REGARDING FORMATION OF A COMMUNITY FACILITIES DISTRICT (CFD) TO FUND PUBLIC SERVICES

Honorable Mayor and Council Members

Summary

New development within the City creates the need for additional public services that extend beyond the service levels already provided in those areas. A Community Facilities District (CFD) could be formed to mitigate the negative budgetary impact of new development on City services. These services include police protection services, maintenance of parks, parkways and open space, maintenance of streets and roads, and flood and storm protection services. As proposed, the CFD levies a special tax imposed ONLY on new development to fund authorized services. Inclusion in the CFD will be voluntary on the part of the developer as a condition of a discretionary act of the City for the development. Once tentative approval is given, the new development would become part of the CFD through annexation proceedings.

Background and Discussion

The California State Legislature approved the Mello-Roos Community Facilities Act of 1982 that provides for the levy of a special tax within a defined geographic area (a "Community Facilities District" or "CFD") if such a levy is approved by two-thirds of the qualified electors in the area. Properties within new developments included in the CFD will pay annual special taxes as part of their property tax bill to pay for public services. New development projects that are not included in the CFD at the time of the CFD formation can be annexed into the CFD as a condition of development. Unlike most other cities in San Mateo County which on average receive 17% of the 1% paid by property owners, Belmont only receives 7% of the 1% property tax paid by property owners. Consequently, Belmont must do more with less as new development pushes the envelope of the City's resources.

There is a massive "re-urbanization" taking place in California and specifically in the Bay Area and the cost of providing services has never been greater. High-tech and Bio-tech employers are grappling for development in this region, close to major education centers and in the heart of technology expansion. Commercial developments translate into housing requirements. The City of Belmont needs to be proactive in its Plan "when" and not "if" demand for services become greater than the City's ability to pay for them. The City needs to plan for adequate revenue sources to sustain livability in this City, not succumb to the pressure of the immense demand on its current resources. The City Council has already adopted a formal policy stating that Development should pay for itself.

As part of the FY 2008 Budget, staff engaged the services of Goodwin Consulting to determine the feasibility of establishing a CFD on new infill or density. Based on their experience, working

with numerous agencies throughout the State, it was suggested a special tax of \$500 for new single family dwelling unit and \$.10 per commercial square foot per annum is reasonable. Clearly, the Council could establish other amounts, however, there is a level of tax intolerance. That level is generally set at a combined total of all other taxes not exceeding 1% of the tax bill. Currently, each single dwelling unit costs the General Fund \$1,400. It is estimated that a new single family dwelling unit will only generate \$486 in General Fund revenue, leaving a deficit of (\$914 per year) per single dwelling unit as a burden on the General Fund. The City has no viable recourse to alleviate this deficit on the current 10,430 dwelling units in the City limits, but can take proactive measures by establishing a CFD and levy a special tax on all new single family dwellings and new commercial development in the City.

Goodwin Consulting will be joining staff at the meeting. The City Council is encouraged to ask questions such as the nature of the tax, services which can be supported, experiences in other communities who have adopted similar measures, etc.

The Finance Commission has been studying this proposal for many months. The Commission was concerned about the potential negative impact the tax could have on development, but was persuaded by the fact that there was no clear evidence that development would be deterred by the imposition of the tax. Furthermore, the Commission was clearly moved by the equity issue that new development should pay for itself. Under existing circumstances, current Belmont residents are subsidizing new development as is illustrated in the attached analysis. The Commission did not want to see a further degradation of existing services cause by new development. At the conclusion of their discussion of this topic on April 3rd, the Commission voted unanimously to recommend to the City Council to proceed with implementing the CFD for services as outlined by the consultants and staff.

Fiscal Impact

As this is a discussion and direction matter only, this report has no fiscal impact. However, should the CFD be adopted, at the rates discussed above, the tax over time would go a long ways towards diversify the City's revenue base and improving the City's fiscal sustainability. This is a stated goal of the City Council. For example, if the City was to approve under its discretionary authority 30 new dwelling units and 50,000 s.f. of commercial space per year, the tax would raise \$20,000 initially and rise to nearly \$265,000 per year in 10 years. While these numbers may seem high, it is important to point out that the City has a housing deficit as determined by the Association of Bay Area Governments and there is an active revitalization effort of the Redevelopment Agency in several key target sites.

The annual CFD special tax revenues cannot be placed directly into the General Fund and are held in a separate CFD fund used to generally benefit the new development areas.

Public Contact

1. The matter was discussed at the Finance Commission.
2. Posting of City Council agenda.

Recommendation

Staff recommends that the City Council consider establishment of a CFD and direct staff to return on May 13, 2008 with a Resolution of Intention to Establish a Community Facilities District and to Levy a Special Tax. Staff also recommends the City Council give consideration and direction as to the special tax “tolerance” amount. A range of \$500, \$700 or \$900 per dwelling unit per year could be considered. The next step will be for the City Council to hold a public hearing to consider any public input. If the Resolution of Formation of Community Facilities District is adopted and the developers authorize the levy of the special tax, staff will thereafter finalize the CFD formation process and place the CFD special taxes on the property tax bills of all taxable properties as they enter into development agreements within the CFD.

Alternatives

1. Direct Staff to go forward with a Resolution of Intention to Establish a CFD
2. Refer back to staff for further information
3. Reject overall recommendation

Attachments

1. List of Mello-Roos Community Facilities Districts that Fund Public Services
2. Cost Analysis
3. Draft Rate and Method of Apportionment of Special Tax

Respectfully submitted,

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City of Belmont
Infill Community Facilities District
Cost Analysis

	FY 2007/08 Values	Source
General Fund Operating Budget	\$ 14,538,867.00	http://www.belmont.gov/doc_center.asp?d_id=240003365
Non-recoverable Adjustments	-	
Adjusted General Fund Operating Budget	14,538,867.00	
Dwelling Units	10,430	Library CFD Annual Levy Report
Average General Fund Cost per Dwelling Unit	\$ 1,393.95	
General Tax Rate	1%	
% Allocable to City of Belmont	7%	County of San Mateo Controller's Assessed Valuation Rolls
City of Belmont %	0.07%	
Average Assessed Valuation of Home Sales	\$ 700,923.00	http://www.homegain.com/local_real_estate/CA/belmont.html
Average Belmont Tax	485.75	
Average General Fund Cost per Dwelling Unit	1,393.95	
Deficit from Addition of One Dwelling Unit	(\$908.20)	

CITY OF BELMONT
COMMUNITY FACILITIES DISTRICT NO. 2008-1 (PUBLIC SERVICES)
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in the City of Belmont Community Facilities District No. 2008-1 (Public Services) shall be levied and collected according to the tax liability determined by the City Council acting in its capacity as the legislative body of CFD No. 2008-1, through the application of the appropriate Special Tax rate, as described below. All of the property in the CFD, unless exempted by law or by the provisions of Section E below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the CFD unless a separate RMA is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any or all of the following: the expenses of the City in carrying out its duties for the CFD, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County, and all other costs and expenses of the City in any way related to the establishment or administration of the CFD.

"Administrator" means the person(s) or firm designated by the City to administer the Special Taxes according to this RMA.

"Assessor's Parcel" or **"Parcel"** means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor designating parcels by Assessor's Parcel number.

"Authorized Services" means the public services authorized to be funded by the CFD as set forth in the documents adopted by the City Council when the CFD was formed.

"Building Square Footage" means the total gross square footage of the floor area of a building determined by calculating the combined floor area contained within a building's exterior walls including the area of an addition where floor area is increased. Parking areas and exterior walkways shall not be included in the calculation of Building Square Footage. The determination of Building Square Footage shall be made by reference to appropriate records kept by the City's Community Development Department.

"CFD No. 2008-1" or **"CFD"** means the City of Belmont Community Facilities District No. 2008-1 (Public Services).

"City" means the City of Belmont.

"City Council" means the City Council of the City of Belmont.

"County" means the County of San Mateo.

"Fiscal Year" means the period starting on July 1 and ending on the following June 30.

"Maximum Special Tax" means the maximum Special Taxes determined in accordance with Section C below that can be levied on Taxable Property in any Fiscal Year.

"Non-Residential Property" means, in any Fiscal Year, all Parcels for which a certificate of occupancy was issued by the City prior to June 1 of the preceding Fiscal Year for a commercial,

industrial, or other non-residential structure, which shall not include any such structure that is located on Public Property.

“Public Property” means any property within the boundaries of CFD No. 2008-1 that is owned by the federal government, State of California, or other local governments or public agencies.

“Residential Property” means, in any Fiscal Year, all Parcels for which a certificate of occupancy was issued by the City prior to June 1 of the preceding Fiscal Year for a structure that includes one or more Residential Units.

“Residential Unit” means an individual single-family detached unit, an individual residential unit within a duplex, halfplex, triplex, fourplex, townhome, live/work or condominium structure, or an individual apartment unit.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Special Tax” means any tax levied within the CFD to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount of revenue needed in any Fiscal Year to pay for the following: (i) Authorized Services, (ii) Administrative Expenses, and (iii) amounts needed to cure any delinquencies in the payment of Special Taxes which have occurred or, based on delinquency rates in prior years, may be expected to occur in the Fiscal Year in which the tax will be collected.

“Taxable Property” means Residential Property and Non-Residential Property.

B. DATA FOR ANNUAL TAX LEVY

Each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel number for all Parcels of Taxable Property within the CFD. The Administrator shall also determine the number of Units built or to be built on each Parcel of Residential Property and the amount of Building Square Footage built or to be built on each Parcel of Non-Residential Property by referencing the building permit, condominium plan, apartment plan, site plan, or other development plan for the property. In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in the CFD was recorded after January 1 of the preceding Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created Parcels meets the definition of Taxable Property, the Administrator shall calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to each Parcel of Taxable Property, then applying the sum of the individual Special Taxes to the original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

The Maximum Special Tax for all Parcels of Residential Property within the CFD shall be \$500 per Unit for Fiscal Year 2007-08. The Maximum Special Tax for all Parcels of Non-Residential Property within the CFD shall be \$0.10 per square foot of Building Square Footage for Fiscal Year 2007-08. Beginning July 1, 2008, and each July 1 thereafter, the Maximum Special Tax for Taxable Property in effect in the prior Fiscal Year shall be adjusted by the increase, if any, in the Local Consumer Price Index for the San Francisco-Oakland-San Jose Area for All Urban Consumers.

D. METHOD OF LEVY AND COLLECTION OF SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied proportionately on each Parcel of Taxable Property in the CFD up to 100% of the Maximum Special Tax determined pursuant to Section C

above until the total amount levied is equal to the Special Tax Requirement for the Fiscal Year. The Special Tax for the CFD shall be collected at the same time and in the same manner as ordinary ad valorem property taxes provided, however, that the City may (under the authority of Government Code Section 53340) collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 2008-1, and the Special Tax shall be equally subject to foreclosure if delinquent.

E. LIMITATIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on Parcels within the CFD that are not Taxable Property. Furthermore, no Special Tax shall be levied on Public Property, except as otherwise provided in the Act.

F. INTERPRETATION OF SPECIAL TAX FORMULA

The City reserves the right to make minor administrative and technical changes to this document that do not materially affect the rate and method of apportioning Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the City's discretion. Interpretations may be made by the City by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this RMA.

**MELLO-ROOS COMMUNITY FACILITIES DISTRICTS
THAT FUND PUBLIC SERVICES**

Agency	Services Funded by CFD	FY 2005-06 Maximum Tax Rates	Annual Escalator (1)	Trigger for Special Tax
City of Atwater	Police and Fire	\$562/SF Unit \$312/MF Unit	4%	Final permit inspection or cert. of occupancy
County of Contra Costa	Fire	\$203/Parcel	Change in CPI	None
City of Elk Grove	Police	\$334/SF Unit \$236/MF Unit	Lesser of change in CPI or 5%	Building permit issuance
City of Lathrop	Police, Flood and Storm, Parks	\$535/SF (2) \$2,749/ac. Of Other Prop.	Average increase of two CPI	Building Permit Issuance
City of Los Banos	Police and Fire	\$263/Developed Parcel	Lesser of change in CPI or 4%	Building Permit Issuance
City of Merced	Police, Fire Water, Storm and Flood, Landscape	\$328.37/SF Unit \$308.82/MF Unit	Average increase of two CPI	Building Permit Issuance
City of Modesto (CFD 1996-1)	Median, Parkway, Open Space	\$170.77/SF Unit \$110.86/MF Unit \$598.89/Comm. Acre	Greater of % increase in CCI or 4%	Building Permit Issuance or Final Subdivision Map
City of Modesto (CFD 1997-1)	Parks, Parkways, Open Space	\$100.14/SF Unit \$65.09/MF Unit \$495.68/Non-Res Acre	Change in CCI	Final permit inspection or cert. of occupancy
City of Modesto (CFD 1998-2)	Road, Storm Drain, Median, Parkway, Open Space	\$155.28/SF Unit \$1,243.56/MF Acre \$1,243.56/Non-Res Acre	4%	Building permit (Non- Res.); Final permit inspection or cert. of occupancy (Res.)
City of Modesto (CFD 2000-2)	Storm Drain Basin, Flood Control, Median, Bikeway, Round-About	\$2,931.63/Acre	Greater of % increase in CCI or 4%	Final permit inspection or cert. of occupancy
City of Modesto (CFD 2002-1)	Landscape, Storm Basin improvement and replacement	Maintenance Portion: \$2,351.98/Acre Sinking, Fund Portion: \$126.00/Acre	Greater of % increase in CCI or 4% (Maintenance portion only)	Building Permit Issuance
City of Modesto (CFD 2003-1)	Storm drain basin, Parks, Parkways, Open Space	\$299.38/Lot	Greater of % increase in CCI or 4%	Final Map (SF) or Building Permit Issuance (all other categories)
City of Modesto (CFD 2004-1)	Median, Parkway, Open Space	\$554.40/LD Acre (2) \$1,302.04/VR Acre (3) \$4,245.12/MF Acre \$971.52/Comm. Acre	Greater of % increase in CCI or 4%	Final Map (SF) or Building Permit Issuance (all other categories)
City of Oakdale	Fire	\$151/SF Unit \$107/MF Unit \$58/Other Property Unit	Average increase of two CPI	Building Permit Issuance
City of Pittsburg	Police	\$341/SF Unit \$341/MF Unit \$683/Non-Res Acre	5%	Building permit issuance